Financial Statements and
Independent Auditors’ Reports

For the year ended June 30, 2012
# City of Albany

## Alameda County Transportation Commission – Measure B Funds

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For the year ended June 30, 2012

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INDEPENDENT AUDITORS’ REPORT

To the Honorable Mayor and Members of City Council
   of the City of Albany
Albany, California

We have audited the accompanying financial statements of the Alameda County Transportation Commission – Measure B Funds (Measure B Funds) of the City of Albany, California (City), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the management of the City. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Measure B Funds are intended to present the financial position and the changes in financial position of the Measure B Funds. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2012, or the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City’s Measure B Funds as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December, 27, 2012, on our consideration of the City’s internal control over financial reporting as it relates to the Measure B Funds and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an
To the Honorable Mayor and Members of City Council
of the City of Albany
Albany, California

integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The management of the Measure B Funds has elected to omit management’s discussion and analysis and the budgetary comparison information for this financial reporting year. Our opinion on the basic financial statement is not affected by this missing information.

Badawi & Associates
Certified Public Accountants
Oakland, California
December 27, 2012
## City of Albany
### Alameda County Transportation Commission - Measure B Funds
### Combined Balance Sheets and Statements of Net Assets
### June 30, 2012

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Alameda CTC Streets and Roads</th>
<th>Alameda CTC Bike and Pedestrian</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes receivable</td>
<td>$4,513</td>
<td>$58,421</td>
<td>$8,075</td>
</tr>
<tr>
<td>Due from City</td>
<td>-</td>
<td>-</td>
<td>5,425</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$4,513</td>
<td>$58,421</td>
<td>$13,500</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND FUND BALANCES</th>
<th>Alameda CTC Streets and Roads</th>
<th>Alameda CTC Bike and Pedestrian</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$713</td>
<td>$1,988</td>
<td>-</td>
</tr>
<tr>
<td>Due to City</td>
<td>640</td>
<td>56,433</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>1,353</td>
<td>58,421</td>
<td>-</td>
</tr>
</tbody>
</table>

| Fund Balances: | | | | |
| Restricted for: | | | | |
| Highways and streets | - | - | 13,500 | 13,500 |
| Community development | 3,160 | - | - | 3,160 |
| **Total fund balances** | 3,160 | - | 13,500 | 16,660 |

| Total liabilities and fund balances | | | | |
| | $4,513 | $58,421 | $13,500 | $76,434 |

See accompanying Notes to Financial Statements.
### Alameda County Transportation Commission - Measure B Funds

#### Combined Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended June 30, 2012

<table>
<thead>
<tr>
<th></th>
<th>Alameda CTC Streets and Roads</th>
<th>Alameda CTC Bike and Pedestrian</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Measure B Funds</td>
<td>$27,660</td>
<td>$358,038</td>
<td>$49,486</td>
</tr>
<tr>
<td>Measure B Funds - Project Specific</td>
<td>4,091</td>
<td>-</td>
<td>15,137</td>
</tr>
<tr>
<td>Other revenues</td>
<td>-</td>
<td>174</td>
<td>24</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>31,751</td>
<td>358,212</td>
<td>64,647</td>
</tr>
<tr>
<td><strong>EXPENDITURES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract operations</td>
<td>$27,629</td>
<td>-</td>
<td>$36,548</td>
</tr>
<tr>
<td>Non-contract operations</td>
<td>12,285</td>
<td>358,212</td>
<td>22,832</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>39,914</td>
<td>358,212</td>
<td>59,380</td>
</tr>
<tr>
<td><strong>NET CHANGE IN FUND BALANCES</strong></td>
<td>(8,163)</td>
<td>-</td>
<td>5,267</td>
</tr>
</tbody>
</table>

| **FUND BALANCES:**    |                               |                                 |         |
| Beginning of year     | 11,323                        | -                               | 8,233   | 19,556   |
| End of year           | $3,160                        | $13,500                        | $16,660 |

See accompanying Notes to Financial Statements.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

All transactions of the Alameda County Transportation Commission – Measure B Funds (“Measure B Funds”) of the City of Albany, California (the “City”), are included as separate special revenue funds in the basic financial statements of the City. Measure B Funds are used to account for the City’s share of revenues earned and expenditures incurred under the City’s paratransit, local streets and roads, and bicycle and pedestrian programs. The accompanying financial statements are for Measure B Funds only and are not intended to fairly present the financial position or results of operations of the City.

B. Basis of Accounting

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current periods. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Sales taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Revenues for expenditure driven grants are recognized when the qualifying expenditures are incurred.

C. Description of Funds

The accounts are maintained on the basis of fund accounting. A fund is a separate accounting entity with a self-balancing set of accounts. Special Revenue funds are funds which are used to account for revenues derived from specific sources, and for which expenditures are restricted to specific purposes. The City uses Special Revenue Funds to account for the Measure B Funds revenue and expenditures.

D. Fund Balance

GASB 54 establishes fund balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of resources
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Fund Balance, Continued

reported in governmental funds. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

GASB No. 54 establishes criteria for classifying fund balances into specifically defined classifications to provide clearer hierarchy of fund balance based on constraints and to achieve consistency in reporting between Fund Financial Statements and Government-Wide Financial Statements. It applies to government reporting to government fund, therefore, it excludes proprietary funds and business-type special purposes governments. GASB 54 details five components of fund balance: Non-Spendable; Restricted; Committed; Assigned; and Unassigned. Measure B Funds reported fund balances as Restricted on the Balance Sheet of the Governmental Funds.

- Nonspendable – assets that will never convert to cash or convert soon enough to affect the current period and resources that must be maintained intact pursuant to legal or contractual requirements.

- Restricted – amounts constrained by external parties, constitutional provision, or enabling legislation. All measure B funds’ fund balances are restricted for street maintenance and improvements.

- Committed – amounts constrained by a government using its highest level of decision-making authority.

- Assigned – amounts a government intends to use for particular purpose.

- Unassigned – amounts that are not constrained at all.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and then unassigned.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

In accordance with GASB Statement No. 40, Deposit and Investment Disclosures (Amendment of GASB No. 3), certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
- Overall
- Custodial Credit Risk
- Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

F. Revenues and Receivables

During the course of normal operations, the fund carries various receivable balances for taxes and interest. Revenues are recorded when received in cash, except revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the fund, are Measure B transportation commission funds.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.
2. CASH AND INVESTMENTS

Cash and investments are maintained on a pooled basis with those of other funds of the City. In accordance with Section 53601 of the California Government Code, the City may invest in the following types of investments:

- Securities of the U.S. government or its agencies
- Bonds issued by the City or other local California agencies
- Negotiable certificates of deposit
- Bankers’ acceptances
- Commercial paper
- Local Agency Investment Fund (State Pool) deposits
- Investment Trust of California (CalTrust)
- Repurchase agreements
- Corporate medium term notes
- Securities of the State of California or its agencies

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on the average month-end balances. The credit risk, carrying amount and market value of pooled cash and investments at June 30, 2012 is included in the Comprehensive Annual Financial Report of the City of Albany.

As of June 30, 2012, the Measure B Funds did not have any cash or investments pooled with other City funds.

3. RECEIVABLES

Paratransit - At June 30, 2012, receivables consist of the Alameda County Transportation Commission pass-through receivables of $4,513.

Streets and Roads - At June 30, 2012, receivables consist of the Alameda County Transportation Commission pass-through receivables of $58,421.

Bicycle and Pedestrian - At June 30, 2012, receivables consist of the Alameda County Transportation Commission pass-through receivables of $8,075 and Measure B project specific grant receivables in the amount of $5,425.
4. DUE TO / FROM OTHER FUNDS

Amounts due to other funds arise from payments of current year expenditures, utilizing General Fund cash, to be reimbursed after the close of the fiscal year.

5. MEASURE B FUNDS

Under Measure B, approved by the voters of Alameda County in 1986 (Old Measure B) and in 2000, Alameda County Transportation Commission Measure B, the City receives a portion of the proceeds of an additional one-half cent sales tax to be used for transportation-related expenditures. This measure was adopted with the intention that the funds generated by the additional sales tax will not fund expenditures previously paid for by property taxes but, rather, would be used for additional streets and programs. The City of Albany utilizes Measure B funds to maintain existing streets and to conduct special projects designed to improve traffic flows, pedestrian safety and on-street parking. Major projects such as street repaving, traffic studies and median design are contracted to outside firms that specialize in the work to be performed. Recurring maintenance work such as pothole patching, street sign replacement and median island maintenance is performed by City maintenance workers, under the supervision of the City’s Public Works Manager.
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of City Council
of the City of Albany
Albany, California

We have audited the financial statements of the Alameda County Transportation Commission–Measure B Funds (Measure B Funds) of the City of Albany, California (City), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City’s Measure B Funds’ financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.
To the Honorable Mayor and Members of City Council
of the City of Albany
Albany, California
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Measure B Funds are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Mayor, City Council, management, and the Alameda County Transportation Commission, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Badawi & Associates
Certified Public Accountants
Oakland, California
December 27, 2012
INDEPENDENT AUDITORS’ REPORT ON MEASURE B COMPLIANCE

To the Honorable Mayor and Members of City Council
of the City of Albany
Albany, California

Compliance and Other Matters

We have audited the City of Albany, California (City)’s compliance with the agreement between the City and Alameda County Transportation Commission applicable to Measure B 2000 funds for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of the City’s management. Our responsibility is to express an opinion on the City’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States; and the agreement between the City and Alameda County Transportation Commission. Those standards and the agreement require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirement referred to above could have a material effect on Measure B 2000 funds. An audit includes examining, on test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City’s compliance with those requirements.

Under Measure B, approved by the voters of Alameda County in 2000, the City has received under Alameda County Transportation Commissions Measure B a total of 12 months of revenue from July 2011 through June 2012. The Local Street and Roads program has received $358,038, the Bike and Pedestrian program has received $49,486, and the Paratransit program has received $27,660. This financial statement reflects twelve months of revenue for the Local Streets and Roads program, the Bike and Pedestrian program, and the Paratransit program.

In our opinion, the City is in compliance, in all material respects, with the laws and regulations, contracts, and grant requirements related to Measure B 2000 funds as specified in the agreement between the City and the Alameda County Transportation Commission for the year ended June 30, 2012.
To the Honorable Mayor and Members of City Council  
of the City of Albany  
Albany, California  
Page 2

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City’s internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, and the Alameda County Transportation Commission and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Badawi & Associates
Certified Public Accountants
Oakland, California
December 27, 2012